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To the Presiding Member South Australian Local Government Grants Commission

Opinion

I have audited the financial report of the South Australian Local Government Grants Commission for the financial year ended 30 June 2023.

In my opinion, the accompanying financial report gives a true and fair view of the financial position of the South Australian Local Government Grants Commission as at 30 June 2023, its financial performance and its cash flows for the year then ended in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and Australian Accounting Standards – Simplified Reporting Requirements.

The financial report comprises:

- a Statement of Comprehensive Income for the year ended 30 June 2023
- a Statement of Financial Position as at 30 June 2023
- a Statement of Changes in Equity for the year ended 30 June 2023
- a Statement of Cash Flows for the year ended 30 June 2023
- notes, comprising material accounting policy information and other explanatory information
- a Certificate from the Presiding Member and the Executive Officer.

Basis for opinion

I conducted the audit in accordance with the *Public Finance and Audit Act 1987* and Australian Auditing Standards. My responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial report' section of my report. I am independent of the South Australian Local Government Grants Commission. The *Public Finance and Audit Act 1987* establishes the independence of the Auditor-General. In conducting the audit, the relevant ethical requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* have been met.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Executive Officer and the members of the Commission for the financial report

The Executive Officer is responsible for the preparation of the financial report that gives a true and fair view in accordance with relevant Treasurer's Instructions issued under the provisions of the *Public Finance and Audit Act 1987* and the Australian Accounting Standards – Simplified Reporting Requirements, and for such internal control as management determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Executive Officer is responsible for assessing the entity's ability to continue as a going concern, taking into account any policy or funding decisions the government has made which affect the continued existence of the entity. The Executive Officer is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

The members of the Commission are responsible for overseeing the entity's financial reporting process.

Auditor's responsibilities for the audit of the financial report

As required by section 31(1)(b) of the *Public Finance and Audit Act 1987*, I have audited the financial report of the South Australian Local Government Grants Commission for the financial year ended 30 June 2023.

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the South Australian Local Government Grants Commission's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Executive Officer
- conclude on the appropriateness of the Executive Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. My conclusion is based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

My report refers only to the financial report described above and does not provide assurance over the integrity of electronic publication by the entity on any website nor does it provide an opinion on other information which may have been hyperlinked to/from the report.

I communicate with the Executive Officer and Presiding Member about, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during the audit.



Daniel O'Donohue
Acting Deputy Auditor-General

31 October 2023

OFFICIAL

South Australian Local Government Grants Commission

Financial Statements

For the year ended 30 June 2023

South Australian Local Government Grants Commission
Certification of the Financial Statements
for the year ended 30 June 2023

We certify that the:

- financial statements of the South Australian Local Government Grants Commission (the Commission):
 - are in accordance with the accounts and records of the Commission;
 - comply with relevant Treasurer's Instructions;
 - comply with relevant accounting standards; and
 - present a true and fair view of the financial position of the Commission at the end of the financial year and the result of its operation and cash flows for the financial year.
- internal controls employed by the Commission for the financial year over its financial reporting and its preparation of financial statements have been effective.



Peter Ilee
Executive Officer
South Australian Local Government Grants Commission
27 October 2023



Robert Donaldson
Presiding Member
South Australian Local Government Grants Commission
27 October 2023

South Australian Local Government Grants Commission
Statement of Comprehensive Income
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Income			
SA Government grants, subsidies and transfers	2.1	481	474
Interest revenue	2.2	47	-
Resources received free of charge	2.3	37	37
Total income		565	511
Expenses			
Staff benefits expenses	3.3	307	372
Supplies and services	4.1	129	137
Total expenses		436	509
Net result		129	2
Total comprehensive result		129	2

The accompanying notes form part of these financial statements. The net result and total comprehensive result are attributable to the SA Government as owner.

South Australian Local Government Grants Commission
Statement of Financial Position
As at 30 June 2023

	Note	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	5.1	1 558	1 443
Receivables	5.2	7	1
Total current assets		1 565	1 444
Total assets		1 565	1 444
Current liabilities			
Staff Benefits	3.5	41	38
Payables	6.1	21	15
Total current liabilities		62	53
Non-current liabilities			
Staff Benefits	3.5	94	110
Payables	6.1	10	11
Total non-current liabilities		104	121
Total liabilities		166	174
Net assets		1 399	1 270
Equity			
Retained earnings		1 399	1 270
Total equity		1 399	1 270

The accompanying notes form part of these financial statements. The total equity is attributable to the SA Government as owner.

South Australian Local Government Grants Commission
Statement of Changes in Equity
for the year ended 30 June 2023

	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2021	1 268	1 268
Net result for 2021-22	2	2
Total comprehensive result for 2021-22	2	2
Balance at 30 June 2022	1 270	1 270
Net result for 2022-23	129	129
Total comprehensive result for 2022-23	129	129
Balance at 30 June 2023	1 399	1 399

The accompanying notes form part of these financial statements. All changes in equity are attributable to the SA Government as owner.

South Australian Local Government Grants Commission
Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Cash inflows			
SA Government grants, subsidies and transfers		481	340
Interest received		40	-
Cash generated from operating activities		<u>521</u>	<u>340</u>
Cash outflows			
Staff benefits payments		(319)	(394)
Payments for supplies and services		(87)	(85)
Cash used in operating activities		<u>(406)</u>	<u>(479)</u>
Net cash provided by / (used in) operating activities		<u>115</u>	<u>(139)</u>
Net increase / (decrease) in cash and cash equivalents		<u>115</u>	<u>(139)</u>
Cash and cash equivalents at the beginning of the reporting period		1 443	1 582
Cash and cash equivalents at the end of the reporting period	5.1	<u>1 558</u>	<u>1 443</u>

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

1. About the Local Government Grants Commission

The South Australian Local Government Grants Commission (the Commission) is a not-for-profit government entity established pursuant to the *South Australian Local Government Grants Commission Act 1992*, which prescribes its responsibilities in accordance with the provisions of the *Commonwealth Local Government (Financial Assistance) Act 1995*.

The Commission does not control any other entity and has no interests in unconsolidated structured entities. The Commission has not entered into any contractual arrangements which involve the sharing of control or significant influence over another entity.

The Commission has administered activities and resources. Transactions and balances relating to administered items are presented separately and are disclosed at note 8. Administered items are accounted for on the same basis as the Commission transactions.

1.1. Basis of Preparation

These financial statements are general purpose statements and have been prepared in accordance with:

- section 23 of the *Public Finance and Audit Act 1987*;
- Treasurer's Instructions and Accounting Policy Statements issued by the Treasurer under the *Public Finance and Audit Act 1987*; and
- relevant Australian Accounting Standards applying simplified disclosures.

The financial statements have been prepared based on a twelve month reporting period and presented in Australian currency. The historical cost convention is used unless a different measurement basis is specifically disclosed in the notes to the financial statements.

Assets and liabilities that will be sold, consumed or realised as part of the normal operating cycle are classified as current assets or current liabilities. All other assets and liabilities are classified as non-current.

All financial assets and liabilities are measured at amortised cost.

Significant accounting policies are set out throughout these notes.

Income, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred, on a purchase of goods or services is not recoverable from the Australian Taxation Office (ATO), in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item applicable; and
- receivables and payables, which are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities are recoverable from, or payable to, the ATO are classified as operating cash flows.

The net amount of the GST receivable/payable to the ATO is not recognised as a receivable/payable in the Statement of Financial Position as the Commission is a member of an approved GST group of which the Department for Infrastructure and Transport is responsible for the remittance and collection of GST.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

1.2. Objectives and programs

The Commission is responsible for making recommendations to the Minister for Local Government on the distribution of untied Commonwealth financial assistance grants to local governing authorities in South Australia in accordance with State and Federal legislative requirements. The Commission is also responsible for making recommendations on the distribution of the Supplementary Local Road Funding in accordance with the Project Agreement established between the Federal and State Government. The Commission also makes recommendations on the distribution of funding under the Special Local Roads Program, which includes a proportion of funding from the Identified Local Road Grants component of the Financial Assistance Grants, the Supplementary Local Road Funding and the Commonwealth's Roads to Recovery Program.

The Commission's grant recommendations under the three above mentioned programs form the basis of the administered items (revenue and expenditure) outlined in note 8. All Financial Assistance Grants and Supplementary Local Road Funding received by the State, and paid to eligible bodies by the Commission, is passed on in full. Funding provided under the Roads to Recovery Program is drawn down by the Commission when requested by councils with approved grants.

The Commission is also the body responsible for undertaking the assessment of boundary change proposals, oversee investigations and make recommendations to the Minister in accordance with the requirements of the *Local Government Act 1999* and the Commission's Guidelines.

1.3. Change to the Commission

Under the *Public Sector (Reorganisation of Public Sector Operations) Notice 2022*, the staff assigned to the Commission had their employment transferred from the Attorney-General's Department to the Department of Infrastructure and Transport (DIT) effective 1 July 2022.

2. Income

2.1. SA Government grants, subsidies and transfers

	2023 \$'000	2022 \$'000
SA Government transfers	481	474
Total SA Government grants, subsidies and transfers	481	474

SA Government transfers are recognised on receipt.

2.2. Interest Revenue

	2023 \$'000	2022 \$'000
Interest from the Department of Treasury and Finance	47	-
Total interest revenue	47	-

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

2.3. Resources received free of charge

	2023	2022
	\$'000	\$'000
Resources received free of charge	37	37
Total resources received free of charge	37	37

Resources received free of charge relates to accommodation provided by (DIT).

3. Board, committees and staff

3.1. Key Management Personnel

Key management personnel of the Commission include the Minister for Local Government, three Commission members and the Executive Officer who have responsibility for the strategic direction and management of the Commission.

Total compensation for the Commission's key management personnel in 2023 was \$186 180 (\$188 870). Salaries and other benefits the Minister for Local Government receives are excluded from this total. The Minister's remuneration and allowances are set by the *Parliamentary Remuneration Act 1990* and the Remuneration Tribunal of SA respectively and are payable from the Consolidated Account via the Department of Treasury and Finance under section 6 the *Parliamentary Remuneration Act 1990*.

Transactions with Key Management Personnel and other related parties

There were no transactions with key management personnel and other related parties during the year.

3.2. Board and Committee members

Members during the 2022-23 financial year were:

Campana W A
Donaldson R T
Vickery E J

Board and committee members Remuneration.

The number of members whose remuneration received or receivable falls within the following bands:

	2023	2022
	No	No
\$0 - \$19 999	2	4
\$20 000 - \$39 999	1	-
Total number of members	3	4

The total remuneration received or receivable by members was \$50,000 (\$47 000). Remuneration of members includes sitting fees, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.3. Staff Benefit Expenses

	2023 \$'000	2022 \$'000
Salaries and wages	192	254
Employment on-costs	40	51
Commission fees	45	47
Annual Leave	19	24
Skills and experience retention leave	3	4
Long service leave	6	(8)
Other staff related expenses	2	-
Total staff benefits expenses	307	372

Employment on-costs – superannuation

The superannuation employment on-cost charge represents the Commission's contributions to superannuation plans in respect of current services of current staff.

3.4. Remuneration of staff

Remuneration of staff reflects all costs of employment including salaries and wages, payments in lieu of leave, superannuation contributions, salary sacrifice benefits, fringe benefits and any related fringe benefits tax.

No staff received remuneration greater than the base executive remuneration level during the year.

3.5. Staff Benefits Liability

	2023 \$'000	2022 \$'000
Current		
Annual leave	22	21
Accrued salaries and wages	-	8
Long service leave	16	7
Skills and experience retention leave	3	2
Total current staff benefits liability	41	38
Non-current		
Long service leave	94	110
Total non-current staff benefits liability	94	110
Total staff benefits	135	148

Staff benefits accrue as a result of services provided up to the reporting date that remain unpaid. Long-term staff benefits are measured at present value and short-term staff benefits are measured at nominal amounts.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

3.5. Staff Benefits Liability (Continued)

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by staff up to the end of the reporting period using the projected unit credit method.

The actuarial assessment performed by the Department of Treasury and Finance has provided a basis for the measurement of long service leave and is based on actuarial assumptions on expected future salary and wage levels, experience of employee departures and periods of service. These assumptions are based on employee data over SA Government entities.

AASB 119 *Employee Benefits* requires the use of the yield on long-term Commonwealth Government bonds as the discount rate in the measurement of the long service leave liability. The yield on long term Commonwealth Government bonds has increased from 3.5% (2022) to 4% (2023). This increase in the bond yield results in a decrease in the reported long service leave liability.

The long service leave liability has been allocated between current and non-current liabilities using the leave pattern history of previous years.

4. Expenses

4.1. Supplies and Services

	2023	2022
	\$'000	\$'000
Accommodation*	37	37
Service Level Agreement	30	28
Service contracts	35	26
Information technology and communication	3	20
Auditor's remuneration**	12	12
Travel	10	9
Administrative costs	1	4
Other	1	1
Total supplies and services	129	137

*Accommodation is provided free of charge by the DIT

**Auditors remuneration includes audit fees paid/payable to the Auditor-General's Department relating to work performed under the *Public Finance and Audit Act 1987*. No other services were provided by the Auditor-General's Department.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

5. Financial Assets

5.1. Cash

	2023	2022
	\$'000	\$'000
Deposits at call with the Treasurer	1 558	1 443
Total cash	1 558	1 443

Cash is measured at nominal amounts. Deposits at call with the Treasurer earn a floating interest rate, based on daily banking deposit rates.

5.2. Receivables

	2023	2022
	\$'000	\$'000
Current		
Accrued Interest on deposits	7	-
Prepayments	-	1
Total current receivables	7	1
Total receivables	7	1

Receivables arise in the normal course of selling goods and services to other government agencies and to the public. Receivables are normally settled within 30 days after the issue of an invoice, or the goods/services have been provided under a contractual arrangement. Receivables are non-interest bearing. Receivables are held with the objective of collecting contractual cash flows and they are measured at amortised cost.

Collectability of receivables is reviewed on an ongoing basis.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

6. Liabilities

6.1. Payables

	2023 \$'000	2022 \$'000
Current		
Accrued expenses	16	12
Employment on-costs	5	3
Total current payables	<u>21</u>	<u>15</u>
Non-current		
Employment on-costs	10	11
Total non-current payables	<u>10</u>	<u>11</u>
Total payables	<u><u>31</u></u>	<u><u>26</u></u>

Payables and accrued expenses are recognised for amounts owing but unpaid. Contractual payables are normally settled within 30 days from the date the invoice is first received. All payables are non-interest bearing. The carrying amount of payables represents fair value due to their short-term nature. Payables are measured at nominal amounts.

Employment On-Costs

Employment on-costs include payroll tax and superannuation contributions and are settled when the respective staff benefits that they relate to are discharged.

The Commission contributes to several State Government and externally managed superannuation schemes. These contributions are treated as an expense when they occur. There is no liability for payments to beneficiaries as they have been assumed by the respective superannuation schemes. The only liability outstanding at reporting date relates to any contributions due but not yet paid to the South Australian Superannuation Board and other superannuation funds.

As a result of an actuarial assessment performed by the Department of Treasury and Finance the proportion of long service leave taken as leave has changed from the 2022 rate of 42% to 43%, and the average factor for the calculation of employer superannuation on-costs has increased to 11.1 % (10.6%). These rates are used in the employment on-cost calculation. The net financial effect of the changes in the current financial year on employment on-costs and staff benefits expense are immaterial. The impact on future periods is impractical to estimate but is not expected to be material.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

7. Outlook

7.1. Unrecognised Contractual Commitments

Commitments arise from contractual sources and are disclosed at their nominal value and inclusive of non-recoverable GST.

	2023	2022
	\$'000	\$'000
Within one year	20	22
Total expenditure commitments	20	22

Expenditure commitments relate to a Grants Methodology review for non-resident ratepayers.

7.2. Contingent Assets and Liabilities

Contingent assets and contingent liabilities are not recognised in the Statement of Financial Position, but are disclosed by way of a note and, if quantifiable, are measured at nominal value.

The Commission is not aware of any contingent assets or liabilities as at 30 June 2023.

7.3. Events After the Reporting Period

The Commission is not aware of any events occurring after the reporting period.

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

8. Disclosures of Administered Items

South Australia receives grant funding from the Commonwealth based on recommendations by the Commission on the distribution of the funding which have been endorsed by the State Minister for Local Government and approved by the Federal Minister. The Commission manages the distribution of the grant funding in full to eligible and approved bodies that have been approved by the Federal Minister for Local Government. Further details have been provided in note 1.2.

Statement of Administered Comprehensive Income
for the Year ended 30 June 2023

	Note	2023 \$'000	2022 \$'000
Administered Income			
Commonwealth Financial Assistance Grants	a)	257 299	225 260
Supplementary Local Road Funding Grants	a)	20 000	20 000
Commonwealth Roads to Recovery Grants	a)	5 675	6 075
Other Revenue	b)	47	
Total administered income		283 021	251 335
Administered Expenses			
Commonwealth Financial Assistance Grants		257 299	225 260
Supplementary Local Road Funding Grants		20 000	20 000
Commonwealth Roads to Recovery Grants		5 675	6 075
Total administered expenses		282 974	251 335
Net Result		47	-
Total Comprehensive Result		47	-

- a) Commonwealth funding is recognised on receipt.
b) Other revenue relates to the return of unspent Special Local Roads Program funding upon the completion of a project. The Commission recognises this on receipt or when a right to receive the unspent funds has been established.

Statement of Administered Financial Position
as at 30 June 2023

	2023 \$'000	2022 \$'000
Administered Current Assets		
Cash	13	13
Receivables	47	-
Total Administered Current Assets	60	13
Administered Equity		
Retained Earnings	60	13
Total Administered Equity	60	13

South Australian Local Government Grants Commission
Notes to and forming part of the financial statements
For the year ended 30 June 2023

Statement of Administered Cash Flows
for the Year ended 30 June 2023

	2023	2022
	\$'000	\$'000
Cash Flows from Operating Activities		
Cash Inflows		
Commonwealth Grants	282 974	251 335
Cash generated from Operations	282 974	251 335
Cash Outflows		
Commonwealth Grants	282 974	251 335
Cash used in Operations	282 974	251 335
Net cash (used in) operating activities	-	-
Net increase / (decrease) in cash and cash equivalents	-	-
Cash and cash equivalents at the beginning of the period	13	13
Cash and cash equivalents at the end of the period	13	13